Foreign Agricultural Service
GAIN Report
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Date: 5/29/2003

GAIN Report #IN3044

India

Cotton and Products

Annual

2003

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Report Highlights:

Indian cotton production in MY 2003/04 is forecast to climb 15 percent to 15.6 million bales (170 kg), as remunerative prices during MY 2002/03 support higher planting. Cotton imports are projected to reach 2.0 million bales (170 kg) during MY 2003/04 on tight domestic supplies, due to record low opening stocks, and expected strong export demand for textiles.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1], IN

Table of Contents

SECTION I: SITUATION AND OUTLOOK

Note : All data in narrative are in 170 kg Indian bales.

Production

Assuming a normal monsoon, MY 2003/04 cotton production is forecast to rise to 15.6 million bales (including 1.1 million bales of loose cotton) on expected higher planting. With domestic cotton prices in MY 2002/03 significantly above last year's level, cotton planting for 2003/04 is forecast to increase by 16 percent over last year to 8.4 million hectares (Table 4A). Production of extra long staple (ELS) cotton is forecast to recover slightly to 400,000 bales, as more DCH-32 growers may shift to other long staple varieties. India allowed commercial cultivation of three varieties of Bt (*Bacillus thuringiensis*) cotton in the central/southern states last year. Northern states continue to be denied permission for cultivation of Bt cotton for the 2003/04 season. Although planting of Bt cotton in MY 2003/03 is expected to rise to 180,000 hectares (28,000 hectares last year), it's much too small to have an impact on overall production.

Based on the latest estimates of cotton arrivals, cotton production during MY 2002/03 is lowered to 13.6 million bales (vs. 15.8 million bales in MY 2001/02); this crop was abnormally affected by low cotton planted area (7.4 million hectares) and drought. Lack of winter rains marred chances for further pickings in the rainfed central and southern regions, adding to the production woes. MY 2002/03 ELS production declined to a record low of 350,000 bales on adverse planting conditions and continuing planted area shift away from the domestic ELS cotton (DCH-32).

Cotton textile production in the Indian fiscal year (IFY) 2002/03 (April-March) was stagnant (Tables 10-12), owing to poor demand (domestic and export) and increasing competition from cheaper man-made fibers. The upswing in cotton textile exports since the second half of 2002 is expected to lead a recovery in the cotton textile sector, as reflected by improved monthly mill consumption figures (Table 5). Market sources report further improvement in export demand for Indian cotton textiles since Feb/Mar 2003 owing to the outbreak of SAR's in southeast Asia which has forced global buyers to shift from China to India. The resurgence in textile exports and increased domestic off take (due to population growth) are expected to lift IFY 2003/04 cotton textile production by 4-5 percent over last year.

Consumption

Despite a resurgence in demand, tight supplies may limit growth in MY2003/04 cotton consumption, with mill consumption forecast to increase to 15.0 million bales and consumption by small spinning units to 1.2 million bales. Cotton prices are expected to remain firm during most of MY 2003/04 on forecast tight supplies.

Although MY 2002/03 prices were very firm on tight domestic supplies and strong international prices (Table 6), consumption will rise marginally on increased off take of yarn and fabric in domestic and export markets. Cotton's share of total fiber use over the last three years has been around 58 percent (Table 13). Given the price relationships, cotton's share may increase to 59

percent during IFY 2002/03 but is forecast to decline to 58 percent in 2003/04.

Trade

Owing to very low opening stocks and consequent tight domestic supplies, India's cotton imports in MY 2003/04 are forecast higher at 2.0 million bales. Market sources expect heavy imports during the early part of the season (August-November), due to the then-prevalent lack of quality domestic cotton. Although imports after November will depend on the relative prices of local vs. international cotton and the quality of the domestic crop, India's MY 2003/04 imports are expected to reach 2.0 million bales as local prices are expected to remain firm on tight supplies. ELS imports during 2003/04 season are estimated unchanged at 300,000 bales on strong export demand for textile products. Due to tight domestic supplies, India's cotton exports are forecast at 40,000 bales, mostly non-spinnable Bengal Desi to traditional markets and some staple cotton to Bangladesh.

Despite low domestic production, comparatively strong world prices vis-a-vis local prices kept cotton imports during MY 2002/03 to 1.6 million bales compared to last year's record imports of 2.5 million bales. U.S. cotton is expected to account for nearly half of MY 2002/03 imports; Egypt, Greece, West Africa, and Australia being the other major suppliers. ELS imports are estimated to increase to a record 300,000 bales on comparatively weak world prices of ELS cotton and stronger export demand for fine yarns/fabrics/made ups. Most ELS imports are from Egypt, USA, CIS countries and small quantities of South American Pima.

Government of India (GOI) export estimates of cotton textiles for the first seven months of IFY 2002/03 indicate a strong recovery after the poor performance in IFY 2001/02 (Table 16). With industry sources reporting steady export performance in the remaining period, cotton textile exports during IFY 2002/03 may grow by 15-16 percent over last year. The export of ready-made garments during CY 2002 and first quarter of CY 2003 seems to reflect the same trend (Table 20).

Marketing

India is a growing market for ELS and other high quality staples (28-32 mm), with occasional imports of medium staple when local supplies are tight or world prices are favorable. Most importing mills would pay a 5-10 percent premium for foreign cotton due to its higher quality (less trash, uniform lots, higher ginning out turn), better credit terms (3-6 months vs. 15-30 days for local) and staggered delivery over longer periods at a contracted price. Mills using ELS have been pleased with US Pima and its fiber characteristics. Indian mills importing US upland cotton over the past few years also are appreciative of its better quality and consistency compared to cotton of other origins. Trade servicing missions by the Cotton Council International and SUPIMA have also helped in developing better appreciation for U.S. cotton. While the United States has emerged as an important supplier over the last three seasons, prices will have to remain competitive in order to offset the lower freight and shorter delivery periods offered to Indian buyers by Egypt, West Africa, the CIS countries, and Australia.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)		(METRIC TONS)			
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	8730000	8730000	7400000	7400000	0	8600000	(HECTARES)
Area Harvested	8730000	8730000	7400000	7400000	0	8600000	(HECTARES)
Beginning Stocks	821482	830486	977157	1029073	0	699260	METRIC TONS
Production	2678037	2678036	2373219	2312000	0	2652000	METRIC TONS
Imports	381021	425321	304817	271987	0	339985	METRIC TONS
TOTAL SUPPLY	3880540	3933843	3655193	3613060	0	3691245	METRIC TONS
Exports	13064	8500	10886	6800	0	6800	METRIC TONS
USE Dom. Consumption	2686319	2734620	2735308	2516000	0	2754000	METRIC TONS
Loss Dom. Consumption	204000	214269	204000	204000	0	204000	METRIC TONS
TOTAL Dom. Consumption	2890319	2896270	2939308	2907000	0	2958000	METRIC TONS
Ending Stocks	977157	1029073	704999	699260	0	726445	METRIC TONS
TOTAL DISTRIBUTION	3880540	3933843	3655193	3613060	0	3691245	METRIC TONS

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 2: Commodity, Cotton (480 lb bales)

PSD Table							
Country:					Conversion	0.004593	
Commodity:							
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	8730000	8730000	7400000	7400000	0	8600000	(HECTARES)
Area Harvested	8730000	8730000	7400000	7400000	0	8600000	(HECTARES)
Beginning Stocks	3773	3814	4488	4726	0	3212	1,000 480lb bales
Production	12300	12300	10900	10619	0	12180	1,000 480lb bales
Imports	1750	1953	1400	1249	0	1562	1,000 480lb bales
TOTAL SUPPLY	17823	18068	16788	16594	0	16954	1,000 480lb bales
Exports	60	39	50	31	0	31	1,000 480lb bales
USE Dom. Consumption	12338	12560	12563	11556	0	12649	1,000 480lb bales
Loss Dom. Consumption	937	984	937	937	0	937	1,000 480lb bales
TOTAL Dom. Consumption	13275	13302	13500	13352	0	13586	1,000 480lb bales
Ending Stocks	4488	4726	3238	3212	0	3337	1,000 480lb bales
TOTAL DISTRIBUTION	17823	18068	16788	16594	0	16954	1,000 480lb bales

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 3: Commodity, ELS Cotton (1-3/8" or 35mm staple length)

PSD Table				
Country:		India		
Commodity:		Cotton		
Units : Metric Tons	2000/01	2001/02	2002/03	2003/04
		(Revised)	(Revised)	(Forecast)
Beginning Stocks	13474	8374	2424	4124
Production	85000	76500	59500	68000
Imports	28900	25500	51000	51000
Total Supply	127374	110374	112924	123124
Exports	0	0	0	0
Domestic Consumption	119000	107950	108800	115600
Ending Stocks	8374	2424	4124	7524
Total Distribution	127374	110374	112924	123124
Units : 480 lbs bales	2000/01	2001/02	2002/03	2003/04
		(Revised)	(Revised)	(Forecast)
Beginning Stocks	61887	38463	11134	18942
Production	390405	351364	273284	312324
Imports	132738	117122	234243	234243
Total Supply	585030	506949	518661	565509
Exports	0	0	0	0
Domestic Consumption	546567	495814	499718	530951
Ending Stocks	38463	11134	18942	34559
Total Distribution	585030	506949	518661	565509

Source: AgNewDelhi estimates based on information from trade sources.

Table 4A: Area, Production & Yield of Cotton in Major States
(Area 000 ha; Production 000 bales of 170 kgs, Yield Kgs/ha)

						Revised	Revised	Forecast
STATE		1997/98	1998/99	1999/ 2000	2000/01	2001/02	2002/03	2003/04
Maharashtra	Area	3139	3199	3254	3077	2980	2617	2900
	Production	2150	2650	3650	2050	3425	2050	2700
	Yield	116	141	191	113	195	133	158
Gujarat	Area	1519	1607	1516	1615	1687	1498	1620
	Production	4200	4750	2850	2400	3250	3200	3500
	Yield	470	502	320	253	328	363	367
Madhya Pradesh	Area	517	501	525	506	623	550	600
	Production	2250	1875	1550	1750	2000	1800	1800
	Yield	740	636	502	588	546	556	510
Punjab	Area	727	562	475	474	600	425	600
	Production	725	500	800	900	925	800	950
	Yield	170	151	286	323	262	320	269
Haryana	Area	638	582	546	555	610	535	600
	Production	900	700	1050	1000	550	900	1000
	Yield	240	204	327	306	153	286	283
Rajasthan	Area	645	645	583	510	347	335	450
	Production	1100	1150	1300	1050	700	550	700
	Yield	290	303	379	350	343	279	264
Andhra Pradesh	Area	898	1278	1040	1022	1002	900	1000
	Production	2550	2500	2200	2500	2675	2050	2500
	Yield	483	333	360	416	454	387	425
Karnataka	Area	518	608	600	560	591	362	550
	Production	750	875	800	800	700	550	750
	Yield	246	245	227	243	201	258	232
Tamil Nadu	Area	247	243	185	193	200	115	200
	Production	500	550	550	550	500	450	500
	Yield	344	385	505	484	425	665	425
Others	Area	56	62	67	64	90	63	80
	Production	100	125	150	100	75	100	100
	Yield	304	343	381	266	142	270	212
All-India	Area	8904	9287	8791	8576	8730	7400	8600

	Production	15225	15675	14900	13100	14800	12450	14500
	Yield	291	287	288	260	288	286	287

Note: Production figures for 1996/97 - 2003/04 in the PS&D includes loose cotton estimates.

Table 4B: Planting Season, Irrigation & Cotton Type by Major Region

REGION	STATES	TYPE OF COTTON GROWN	PLANTING SEASON/IRRIGATION AVAILABILITY
North	Punjab, Haryana, Rajasthan	Medium & Short Staple	May/Irrigated
Central	Gujarat, Maharashtra & Madhya Pradesh	Medium & Long Staple	Mid June-July (after onset of monsoon)/Largely rainfed
South*	Andhra Pradesh, Karnataka & Tamil Nadu	Long & Extra Long Staple	August-September/Largely rainfed

Note: * There is also a small summer cotton crop planted in January-February in Tamil Nadu.

Table 5: Mill Use by Month (in 100,000 bales of 170 kg each)
(August/July Marketing Year)

Month\Year	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Aug	13.07	11.44	12.45	12.64	12.40	12.61
Sept	13.24	11.38	12.11	12.41	12.05	12.42
Oct	12.75	11.28	12.20	12.00	11.83	12.45
Nov	12.59	11.68	11.62	12.45	11.48	11.69
Dec	13.48	12.48	12.85	12.93	12.54	12.62
Jan	12.69	12.28	12.80	12.58	12.54	12.38
Feb	11.12	11.57	12.38	11.74	11.71	11.45
Mar	11.89	12.37	12.89	12.90	12.37	**12.55**
Apr	11.23	12.12	12.22	12.41	12.25	
May	11.43	12.15	12.79	12.64	12.32	
Jun	11.46	12.36	12.75	12.50	12.16	
Jul	11.78	12.68	13.04	12.76	12.70	
TOTAL	146.73	143.79	150.10	149.96	146.35	98.17

Note: Figure in bold is provisional estimate.

Source: Textile Commissioners' Office, Mumbai.

Table 6: Month End Prices of Popular Varieties (Rupees per Metric Tons)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct	38240	40490	44990	46400	59050	77330
Nov	39650	39370	41340	44710	54830	73110
Dec	35710	37120	41340	44430	53430	71140
Jan	36560	36840	40210	43300	48370	70300
Feb	36560	36270	38810	41620	47800	66080
Mar	37960	36560	39650	44150	50620	70300
Apr	38520	39930	42180	44990	52020	73120
May	39650	39650	42180	44430	50050	71710
Jun	41340	42180	44990	49210	54270	76760
Jul	41340	44150	50050	52580	57370	77330
Avg Price	38057	40915	44218	47123	54881	75195
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May 17	40490	58210	59900	62430	69740	91360
Avg Price	39172	48960	53119	55819	64817	84015

Source: East India Cotton Association, Mumbai.

Table 7: Export Trade Matrix, Cotton*

Export Trade Matrix					
Country:		Units:	Metric Tons		
Commodity:					
Time period:	Aug-Jul				(Aug-Jan)
Exports for	2000		2001		2002
U.S.	94	U.S.	326	U.S.	54
Others		Others		Others	
Japan	3,703	Japan	3,424	Japan	1,398
Malaysia	2,828	Belgium	1,212	Nepal	484
Italy	2,137	Malaysia	1,208	Belgium	173
Mauritius	1,682	Italy	459	German F Rep	82
Hong Kong	1,574	France	412	Egypt	27
Bangladesh	1,100	Korea	280	Bangladesh	26
German F Rep	1,088	Bangladesh	260	Switzerland	25
China Rep	1,058	Portugal	204	France	25
Belgium	856	UAE	161	Portugal	25
Sri Lanka	600	Canada	126	United Kingdom	19
Total for Others	16,626		7,746		2,284
Others not listed	6,807		1,069		38
Grand Total	23,527		9,141		2,376

Note: MY2002 data are August 2002 through January 2003.

* Includes non-spinnable cotton & cotton waste not included in the PS&D.

Source: Directorate General of Commercial Intelligence & Statistics (DGCIS), Ministry of Commerce, GOI.

Table 8: Import Trade Matrix, Cotton

Import Trade Matrix					
Country:		Units:	Metric Tons		
Commodity:					
Time period:	Aug-Jul				(Aug-Jan)
Imports for	2000		2001		2002
U.S.	54,448	U.S.	200,907	U.S.	25,754
Others		Others		Others	
Australia	50,584	Australia	36,435	Mali	17,877
Benin	35,928	Brazil	28,020	Egypt A Rep	13,983
Ivory Coast	34,893	Egypt A Rep	20,274	Benin	11,650
Uzbekistan	19,377	Paraguay	14,098	Ivory Coast	9,541
Egypt A Rep	14,271	Greece	11,689	Tanzania	8,300
Burkina FASO	13,568	Uzbekistan	11,328	Burkina FASO	5,632
Nigeria	12,476	Benin	10,385	Cameroon	5,598
Paraguay	9,562	Argentina	9,946	Nigeria	5,177
South Africa	7,945	Malaysia	9,837	Mozambique	4,610
China	7,193	Ivory Coast	8,063	China	4,297
Total for Others	205,797		160,075		86,665
Others not listed	89,934		64,349		42,398
Grand Total	350,179		425,331		154,817

Note: MY2002 data are August 2002 through January 2003.

Source: DGCIS, Ministry of Commerce, GOI.
Textile Commissioners Office, Ministry of Textiles, GOI.

Table 9: Growth of the Indian Textile Industry

Item|Year *	1991/92	1995/96	1999/2000	2000/01	2001/02	2002/03
Organised Mills @						
Spinning	846	1294	1565	1565	1579	1599
Composite	271	275	285	281	281	276
Exclusive Weaving	na	172	202	203	207	209
Small Scale Spinning Units	na	750	921	996	1046	1146
Power Loom Units ('000s)	na	326	365	374	375	378
Spindles (millions)@	27.82	31.75	37.08	37.91	38.33	39.03
Rotors ('000s)@	113	226	444	454	480	468
Looms ('000s)@	169	148	140	140	141	NA
Power Loom ('000s) @	na	1365	1630	1662	1666	1684
Hand Loom ('000s) @	na	3891	3891	3891	3891	NA
Spun Yarn Prod (mil kg)						
Cotton Yarn	1450	1894	2204	2267	2212	2169
Other Spun Yarn	356	591	842	893	889	901
Man-made Filament Yarn	na	493	894	920	957	1093
Fabric Production (mil sq m)						
Cotton	14647	18900	18989	19718	19769	19320
Blended	2712	4025	5913	6351	6287	6050
100% non-cotton (inc Khadi/wool/silk)	5229	9033	14306	14187	15978	17494

Note: *-Refers to Indian fiscal Year April/March.
@-As on end of the Indian fiscal year (31st March).
NA-not available

Source: The Textile Commissioner's Office, GOI.

Table 10: Production of Spun Yarn (Fiber-Wise, Million kg.)

Year/1	COTTON	BLENDED	100% NON-COTTON	TOTAL
1995	1894	395	196	2485
1996	2148	484	162	2794
1997	2213	583	177	2973
1998	2022	595	191	2808
1999	2204	621	221	3046
2000	2267	646	247	3160
2001	2212	609	280	3101
2002(P)	2169	583	318	3070

Note: /1: Year 2002 refers to Indian fiscal year 2002/03 (April-March)
(P): Provisional.

Source: Textile Commissioner's Office, GOI

Table 11: Production of Manmade Filament Yarn (Million Kg.)

Year/1	VISCOSE	POLYESTER	NYLON	POLY-PROPLENE	TOTAL
1995	61	376	42	15	494
1996	57	493	38	13	601
1997	57	668	30	14	769
1998	61	745	29	15	850
1999	49	801	26	17	893
2000	55	820	26	19	920
2001	48	862	27	20	957
2002(P)	50	990	29	24	1093

Note: /1- Year 2002 refers to Indian fiscal year 2002/03 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 12: Production of Fabric (Fiber-wise,Square Meters)

Year/1	COTTON	BLENDED	KHADI/WOOL/SILK	100% NON-COTTON	TOTAL
1995	18900	4025	498	8535	31958
1996	19841	4888	540	9569	34838
1997	19992	5751	545	11153	37441
1998	17948	5700	559	11895	36102
1999	18989	5913	575	13725	39202
2000	19718	6351	581	13606	40256
2001	19769	6287	644	15334	42034
2002(P)	19320	6050	644	16850	42864

Note: /1- Year 2002 refers to Indian Fiscal Year 2002/03 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 13: Consumption of Major Fibers/Yarns by the Textile Industry (Million Kgs)

Year/1	Cotton	Cotton	Man-made Fibre	Man-made Filament	Total Yarn
	Qty	% Share	Qty	Qty	Qty/2
1995	2295	66.6	557	488	3446
1996	2566	65.6	646	581	3913
1997	2719	62.8	770	722	4337
1998	2485	58.9	783	821	4221
1999	2652	58.6	840	899	4528
2000	2721	58.8	889	878	4630
2001(P)	2701	57.7	863	970	4682

Note: /1 - Year 2001 is Indian fiscal year 2001/02 (April/March).
/2 - Total yarn includes some quantity of other natural yarns (silk/wool).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 14: Prices of Raw Cotton and Other Fibers (Rupees/Kg)

Period	Raw Cotton Fibre	Viscose Staple Fibre	Polyester Staple Fibre	Acrylic Staple Fibre
	(wtd avg)	(avg)	(avg)	(avg)
March 1989	21.94	33.43	83.28	68.00
March 1990	18.15	38.63	70.40	75.50
March 1991	26.71	44.29	75.31	76.77
March 1992	33.61	51.72	80.13	97.67
March 1993	27.69	58.32	79.73	106.72
March 1994	49.50	59.56	78.50	104.67
March 1995	60.58	76.53	104.55	106.00
March 1996	45.71	83.20	89.05	85.50
March 1997	46.07	79.80	67.56	84.63
March 1998	56.10	80.09	51.30	88.50
March 1999	49.03	78.58	47.95	67.75
March 2000	47.75	78.58	63.34	80.25
March 2001	51.25	89.54	27.43	88.51
March 2002	37.68	83.74	49.73	84.95
March 2003	53.82	88.01	64.68	89.98

Note: Prices are average of weekly prices for the month.

Source: The Textile Commissioner’s Office, GOI.

Table 15: Per Capita Availability of Cloth in India (Meters)

Year/1	Cotton	Blended/Mixed	100% Non-Cotton	Total
1980	12.8	2.2	2.3	17.3
1990	15.0	3.0	6.1	24.1
1995	16.3	3.5	8.2	28.0
1996	16.2	4.0	9.1	29.3
1997	15.9	4.6	10.4	30.9
1998	13.1	4.1	11.0	28.2
1999	14.2	4.5	11.9	30.6
2000	14.2	4.5	12.0	30.7
2001	14.8	4.7	12.5	32.0
2002 (P)	-	-	-	31.4

Note: /1 - Year 2002 refers to Indian fiscal year 2002/03 (April/March).
(P) - Provisional; fabricwise breakup is not available.

Source: The Textile Commissioner's Office, GOI.

Table 16: India's Exports of Textile Items (Million US$)

Group	Item	2000	2001	2002@	2001#
Cotton	Fibre	62.5	9.0	4.0	3.4
	Yarn	1347.3	1111.4	739.1	684.8
	Fabric	1127.2	1009.6	627.1	597.8
	Madeups	1116.8	1054.1	699.6	640.4
	Clothings	3826.9	3630.7	2441.4	2022.8
	Total	7480.6	6814.8	4511.3	3949.2
Manmade Fibre	Fibre	2.5	0.5	0.7	0.4
	Yarn	451.9	347.2	274.8	204.2
	Fabric	547.9	657.0	471.1	393.5
	Madeups	159.5	138.2	93.0	82.3
	Clothings	910.9	726.4	407.0	453.3
	Total	2072.7	1869.2	1246.5	1133.6
Wool	Fibre	4.9	3.6	9.6	2.6
	Yarn	21.4	19.0	13.9	9.9
	Fabric	33.7	24.2	13.5	16.2
	Madeups	466.4	370.7	232.6	226.7
	Clothings	237.7	215.5	127.1	159.3
	Total	764.1	633.0	396.7	414.7
Silk	Fibre	11.1	11.2	2.9	6.0
	Yarn	2.0	6.9	3.0	3.0
	Fabric	280.8	249.2	156.9	143.6
	Madeups	97.4	88.6	44.4	54.1
	Clothings	107.1	100.0	43.9	52.6
	Total	498.4	455.9	251.0	259.3
Others*	Fibre	3.3	0.0	0.1	0.0
	Yarn	80.0	55.8	27.4	33.2
	Fabric	97.0	61.1	59.9	34.2
	Madeups	301.1	302.2	213.7	181.3
	Clothings	227.7	174.8	120.4	96.7
	Total	709.0	593.9	421.5	345.4

Total	Fibre	84.3	24.3	17.2	12.3
	Yarn	1902.6	1540.2	1058.2	935.2
	Fabric	2086.5	2001.0	1328.5	1185.1
	Madeups	2141.2	1953.8	1283.2	1184.7
	Clothings	5310.2	4847.4	3139.8	2784.8
	Total	11524.8	10366.7	6827.0	6102.1

Note: Year 2000 refers to Indian fiscal year (IFY) 2000/01 (April/March).
@ refers to the period of April-October 2002, i.e., first seven months of IFY 2002/03.
# refers to period April-October 2001, i.e., first seven months of IFY 2001/02.
* Other refers to vegetable fibre and other fibre not specified elsewhere.

Source: DGCIS, Ministry of Commerce, GOI.

Table 17: Export Trade Matrix, Cotton Yarn (Metric Tons)

Country	2000	2001	2002*
USA	4593	3543	3180
Others			
Korea Rp	44878	49622	43603
Bangladesh	59601	48876	40822
Hong Kong	70323	45304	42397
Mauritious	29836	28188	26761
China P Rp	21151	23716	21650
Korea Dp Rp	22007	22874	21672
Japan	13440	16660	15151
Italy	15335	15196	13712
Chinese Taipei	14696	14324	12367
Egypt A Rp	13274	12116	11476
Sri Lanka	12693	12028	10602
Israel	14157	11066	9878
Malaysia	11152	10484	9625
Canada	11162	10097	8735
German F Rep	7615	8110	7144
Russia	23701	7867	7654
Spain	6459	7171	6256
Colombia	6319	6707	6222
Baharain Is	7370	6645	6168
UAE	12461	6479	6011
Others	83276	66464	59927
Total	505499	433535	391014

Note: Year 2000 & 2001 refers to Indian fiscal year 2000/01 (April-March).
& year 2001/02 (April-March), respectively.
*-figures for 2002 refers to the period April-October 2002, i.e., first seven months of IFY 2002/03.

Source: DGCIS, Ministry of Commerce, GOI.

Table 18: Export Trade Matrix, Cotton Fabrics (Metric Tons)

Country	2000	2001	2002*
USA	39620	30451	28026
Others			
UK	27578	19561	17838
Italy	15758	19539	18244
Bangladesh	15522	12651	10600
UAE	12022	10716	9880
Sri Lanka	9491	8466	7645
Nigeria	7583	7727	4754
German F. Rp	6811	7049	6358
Spain	6482	6881	6231
Belgium	8572	6856	6405
Turkey	6425	6434	6137
China P Rp	5478	5361	5305
Benin	3866	5081	4877
South Africa	5534	5054	4832
Niger	3525	4958	4754
Togo	3705	4853	4497
Hong Kong	5568	4839	4401
Tanzania Rp	4474	4544	4129
Ivory Coast	5221	4153	3831
France	5015	4050	3715
Switzerland	459	3760	3632
Others	92191	84581	80983
Total	290903	267564	247072

Note: Year 2000 & 2001 refers to Indian fiscal year 2000/01 (April-March) & year 2001/02 (April-March), respectively.

*-figures for 2002 refers to the period April-October 2002, i.e., first seven months of IFY 2002/03

Source: DGCIS, Ministry of Commerce, GOI

Table 19: Export Trade Matrix, Cotton Madeups (Metric Tons)

Country	2000	2001	2002*
USA	85739	81356	74981
Others			
UK	24233	24670	22776
German F Rp	22388	16292	15229
Japan	13584	11165	9741
France	13462	10652	9974
Italy	8756	8091	7359
UAE	6194	6265	5809
Sweden	6393	5801	5511
Canada	5628	5773	5215
Spain	6372	5472	4920
Australia	5898	4928	4620
Belgium	5399	4256	3737
Netherland	6375	4233	3877
Denmark	3174	2859	2649
Israel	2353	2467	2290
South Africa	2643	2255	2175
Baharain IS	701	2221	2214
Norway	2402	1865	1688
Saudi Arab	2118	1518	1359
Korea Rp	1748	1475	1326
Portugal	1566	1424	1290
Others	34855	29133	26497
Total	261981	234171	215238

Note: Year 2000 & 2001 refers to Indian fiscal year 2000/01 (April-March) & year 2001/02 (April-March), respectively.
*-figures for 2002 refers to the period April-October 2002, i.e., first seven months of IFY 2002/03

Source: DGCIS, Ministry of Commerce, GOI

Table 20: Exports of Ready-made Garments from India (in Millions)

ITEM		CY 1995	CY 2000	CY 2001	CY 2002	2003*	2002
						(JAN-MAR)	(JAN-MAR)
COTTON	Qty. (pieces)	843	1221	1054	1032	361	312
	Value ($)	3096	4080	3390	3390	1267	951
SYNTHETIC	Qty.(Kgs.)	194	267	196	191	58	53
	Value ($)	1211	1526	1012	912	288	243
WOOL	Qty.(Kgs.)	24	16	15	8	0.4	0.8
	Value ($)	166	160	142	108	7	8
TOTAL	Value ($)	4474	5765	4543	4410	1562	1202

Note: * - Provisional.

Source: Apparel Export Promotion Council, GOI.

Table 21: Import Policy & Tarriffs/Duties for Cotton/Cotton Textiles for IFY 2002/03 (Apr/Mar)

Commodity Code	Description of Comm.	Policy/1	Basic Duty Rate/2	CVD Rate/3	Special Add. Duty Rate
HC 52.01	Cotton-not carded or combed	OGL	10	0	0
HC 52.02	Cotton Waste	OGL	15	0	4
HC 52.03	Cotton-carded or combed	OGL	30	0	4
HC 52.04	Cotton Sewing Thread	OGL	20	/4	4
HC 52.05	Cotton Yarn (85% or more cotton)	OGL	20	/4	4
HC 52.06	Cotton Yarn (less than 85% cotton)	OGL	20	/4	4
HC 52.07	Cotton Yarn for Retail Sale	OGL	25	/4	4
HC 52.08	Cotton Fabric (85% or more cotton)weighing <200gm/sq.m	OGL	Mostly 25 /5	/6	0
HC 52.09	Cotton Fabric (85% or more cotton)weighing >200gm/sq.m	OGL	Mostly 25 /7	/6	0
HC 52.10	Cotton Fabric(less than 85% cotton)weighing <200gm/sq.m	OGL	Mostly 25 /8	/6	0
HC 52.11	Cotton Fabric(less than 85% cotton)weighing >200gm/sq.m	OGL	Mostly 25 /9	/6	0
HC 52.12	Other Cotton Fabric	OGL	Mostly 25 /10	/6	0

Notes:
/1 : OGL(Open General License)- No restrictions on imports.
/2 : Most goods of the HC 52 get a tariff concession of 50 percent of the effective basic duty on imports from LDC members of SAPTA - Bangladesh, Nepal, Bhutan and Maldives.
/3 : CVD (Countervailing Duty) equivalent to local excise taxes + additional duties & cess
/4 : Local excise rate = 8% for items not containing synthetic fibre
= 12% for items containing synthetic fibre
Plus add additional duty on excise = 15 percent of the total excise tax
Plus add Cess under Textile Comm Act, 1963 = 0.05% of CIF Value of Good + Basic Duty
/5 : Basic Duty on 5208.39 upholstery fabric (UF) is 25%or rs. 150/kg; Other than UF (OUF) is 25%

on 5208.41 is 25% or* rs. 9/sqmeter
on 5208.42 UF is 25% or* rs. 37/sq meter; OUF is 25% or* 22/sq meter
on 5208.49 UF is 25% or* rs. 143/kg; OUF is 25% or* rs. 200/sqmeter
on 5208.51 is 25% or* rs. 27/sqmeter
on 5208.52 UF is 25% or rs. 23/sqmeter; OUF is 25% or* rs. 14/sqmeter
on 5208.53 UF is 25% or* rs. 35/sqmeter; OUF is 25% or rs. 21/sqmeter
on 5208.59 UF is 25% or* rs. 50/sqmeter; OUF is 25% or rs. 30/sqmeter.

/6 : CVD equivalent to local excise taxes = 10 percent
Plus add Cess under Textile Comm Act, 1963 = 0.05% of CIF Value of Good + Basic Duty

/7 : Basic Duty on 5209.31-39 UF is 25% or rs. 150/kg; OUF is 25%
on 5209.41 UF is 25% or* rs. 32/sqmeter; OUF is 25% or* rs. 30/sqmeter
on 5209.43 UF is 25% or* rs. 30/sqmeter; OUF is 25% or* rs. 28/sqmeter
on 5209.49 UF is 25% or* rs. 150/kg; OUF is 25%
on 5209.51-52 UF is 25% or* rs. 30/sqmeter; OUF is 25% or* rs. 24/sqmeter
on 5209.59 UF is 25% or* rs. 38/sqmeter; OUF is 25% or* rs. 30/sqmeter.

/8 : Basic Duty on 5210.39 UF is 25% or* rs. 150/kg; OUF is 25%
on 5210.49 UF is 25% or* rs. 132/kg
on 5210.51-59 UF is 25% or* rs. 15/sqmeter; OUF is 25% or* rs. 12/sqmeter

/10: Basic Duty on 5211.31-39 UF is 25% or* rs. 150/kg; OUF is 25%
on 5211.41 UF is 25% or* rs. 44/sqmeter; OUF is 25% or* rs. 35/sqmeter
on 5211.43 UF is 25% or* rs. 40/sqmeter; OUF is 25% or* rs. 32/sqmeter
on 5211.49 UF is 25% or* rs. 150/kg; OUF is 25%
on 5211.51-59 UF is 25% or* rs. 18/sqmeter; OUF is 25% or* rs. 12/sqmeter

11: Basic Duty on 5212.15 and 5212.25 is 25% or* rs. 165/kg
on 5212.24 is 25% or* rs. 20/sqmeter

* - Whichever is higher

* - Method for Computing Total Applicable Duty
A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * CIF Value
C : CV Duty = CVD Rate * (A+B)
where CVD Rate = Excise Tax Rate + Additional Duty on Excise Tax = Cess
D: Special Add. Duty = SAD Rate * (A+B+C)
Total Applicable Duty = B+C+D

SECTION III: NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING

Production

Due to high cotton prices during the current season and relatively stagnant prices of the major competing crops, cotton farmers have realized better returns from cotton compared to other crops. Subsequently, MY 2003/04 cotton area forecast to recover to 8.6 million hectares (Table 4). Cotton is a monsoon (kharif season, fall-harvested) crop. Sowing extends from May through September (Table 4B). Planting intentions are largely influenced by price relationships with competing crops: (paddy/fodder crops in the north, coarse grains/pulses/sugarcane in central India, and paddy/tobacco/chillies in the south).

MY 2002/03 cotton area declined to 7.4 million hectares, the lowest level since 1991 due to abnormally low cotton prices during MY 2001/02 and a lack of monsoon rains at the time of planting. The drought from late July through early September 2002 severely affected cotton planting in the rainfed central and southern regions. The late arrival (Sept/Oct.) of monsoon rains supported the standing crop, and the relatively dry conditions resulted in a minimal pest incidence in most growing areas. However, lack of winter rains (November/December) adversely affected chances for further pickings in the rainfed cotton areas. Since the cotton plants remain in the field after the normal pickings (October-January), winter rains tend to support additional flushes in the plants, thereby resulting in 1-2 further pickings (February-March).

Market sources report arrivals through May 17, 2003, at 12.7 million bales vs. 14.7 million bales for the corresponding period last year. Additional late season arrivals from several states, summer cotton from south India, and the September arrival of the new crop in the North and West are expected to take MY 2002/03 production to about 13.6 million bales. Market sources report the quality of cotton in most growing areas to be good to satisfactory.

Despite having the world's largest area planted with cotton, India's cotton yields are among the lowest in the world due to lack of irrigation, limited use of high quality seeds, and poor management practices. A multiplicity of seed varieties has led to increasing marketing and processing problem due to high variation in fiber quality. There also have been reports of farmers being supplied spurious herbicides and pesticides. The bollworm pest is a major problem, especially in the northern states and parts of Gujarat and Andhra Pradesh. Most of the high-yielding, irrigated cotton is produced in these states, and losses from bollworm have significantly affected yields (30-50 percent loss) in the past years.

Bt. Cotton

India approved three Bt. varieties for commercial cultivation in the central and southern states in March 2002. However, a separate Bt. cotton variety (MECH 915) developed specifically for north India was denied approval after final field testing. The Genetic Engineering Approval Committee (GEAC) rejected MECH 915 for release as it is susceptible to the leaf curl virus, a serious problem in north India. Consequently, the bollworm-prone northern region will continue to lack access to an approved Bt. variety for at least another 2-3 years before a new variety is tested and approved.

There have been mixed reviews in the press from farmers, researchers, and anti-GM forces on the initial harvest of Bt. cotton in the central and southern regions during the current 2002/03 season. Scientists report that since the pest incidence was abnormally low due to drought conditions, the impact of the Bt. variety over non-Bt. varieties was not that visible. Nevertheless, initial reports on Bt. seed for 2003/04 indicate farmers recognize the benefits derived from this technology. Despite the Bt. seed costing 3-4 times more than the normal hybrid seeds, the area under Bt. cotton may increase significantly, but only enough Bt. seed is available to plant 180,000 hectares this year.

ELS Cotton

Adverse planting conditions spoiled the ELS prospects and resulted in a decline in MY 2002/03 ELS production (Table 3) to a record low of 350,000. Despite firm prices, MY 2002/03 consumption increased marginally to 640,000 bales on improved export demand for finer yarns and fabric. MY 2003/04 consumption is forecast to grow further to 680,000 bales on steady export demand for ELS-based textiles.

Only a few domestic varieties, mostly grown in south India, meet the ELS classification: DCH-32, Suvin, TCH-213, and MCU-5 (from some areas). Fiber quality and yield of major ELS varieties have deteriorated in recent years, causing marketing problems and lower returns to growers. Efforts to improve the productivity of ELS parent lines have met with limited success, as more ELS growers in India are shifting to a few new long staple (30-34 mm) varieties which have higher yields and lower quality problems. ELS is used for the production of quality yarn, fabric, and dress material for export, and for a small but growing high-end domestic market.

Production Policy

The Government of India (GOI) establishes minimum support prices (MSP) for cotton at the start of each marketing season. The Cotton Corporation of India (CCI), a government parastatal, is responsible for establishing the price support in all states. The state of Maharashtra liberalized their monopoly cotton procurement scheme by allowing private traders to procure directly from farmers. Typically, market prices remain well above the MSP, and CCI operations are generally limited to commercial purchases and sales. Futures trading in cotton, which was launched by the East India Cotton Association in 1998, continues to be very limited. There are various government agencies, research institutions, and CCI sponsored schemes for development, production, and distribution of seeds, and for crop surveillance, integrated pest management, and extension services. The GOI's Cotton Technology Mission coordinates and supports activities to improve cotton yields, reduce cultivation costs, and improve quality through the upgrading and modernization of existing facilities.

The GOI's statutory hank yarn policy requires that 50 percent of a mill's output of yarn meant for the domestic markets be produced in hank yarn form for use by the handloom industry. Export-oriented units are exempt from this obligation. In addition to ensuring an economical supply of hank yarn to the handloom sector, the GOI subsidizes the sale of handloom products. The Technology Up Gradation Fund (TUF), launched in 1999 to modernize the textile industry, provides a subsidy on interest paid on loans for technology upgrades.

Consumption

A normal monsoon would assist MY2003/04 cotton consumption by ensuring comfortable domestic supplies at economical prices and augmenting the purchasing power of the rural farming population for clothing. However, expected firm prices of cotton may help manmade fiber (MMF) to increasingly displace cotton in the forthcoming seasons. Some MMF, like polyester and poly-blends, are popular due to their durability and ease in washing and maintenance in a tropical country such as India. With costlier cotton, some mills may shift cotton/polyester blend ratios to 55:45 from 65:35. Consequently, growth in cotton usage in future years is likely to be determined upon price ratios of cotton to man-made fibers and possible displacement by polyester staple fiber (PSF) and/or polyester filament yarn (PFY).

To keep pace with the demand for clothing from the growing Indian population, the textile industry must expand by 3-4 percent per year. The industry includes both an "organized" sector (large-scale spinning units and composite mills) and an "unorganized" sector (small-scale spinning units, power looms, handlooms, hosiery units). More than 95 percent of the yarn is produced in the organized sector. The weaving industry is mainly supplied by the unorganized sector with power looms accounting for 60 percent, handlooms for 18 percent, and hosiery units for 17 percent of total cloth production.

Trade

Cotton import prospects during MY 2002/03 have been adversely affected by strong international cotton prices despite tight domestic supplies. With international cotton prices 8-12 percent above comparable local prices from the beginning of the marketing season through April, imports sagged compared to the previous year's record import levels. Market sources report a higher share of ELS cotton during MY 2002/03, due to the short supply of domestic ELS, comparatively weaker prices of foreign ELS cotton, and strong demand for ELS cotton textiles.

Total physical arrivals of imported cotton from August 2002 through April 2003 are estimated by traders at 1.2 million bales. Import prospects have started improving since early May due to slowing of local cotton arrivals and the resultant firming of domestic prices. Market sources report that local cotton prices have been equal with international quotations since early May, and are expected to firm up further before the new crop arrives in October/November, resulting in additional purchases of imported cotton by Indian mills. Consequently, MY 2002/03 imports are estimated at 1.6 million bales.

With the July 2001 removal of limitations on exports of cotton, export registration and actual shipment data are no longer available. Market sources estimate that 35-40,000 bales were exported through early May 2003, mostly non-spinnable Bengal Desi. There were also some exports of staple cotton to Bangladeshi mills to meet their short term requirements. With limited prospects for additional sales during the rest of the season, MY 2002/03 exports are estimated barely at 40,000 bales. Based on provisionally revised estimates from the Textile Commissioner's Office and Directorate General of Commercial Intelligence & Statistics (DGCIS), MY 2000 and MY 2001 imports have been raised to 2.1 million bales and 2.5 million bales, respectively. MY 2001 exports have been revised lower to 50,000 bales.

With the outbreak of Severe Acute Respiratory Syndrome (SARS) forcing global buyers to shift some orders from China to India, Indian apparel exports have shown significant growth since the beginning of the calender year 2003 (Table 20). Trade sources report exports doing well in the months of April and May also, supporting higher exports during IFY 2003/04. However, some industry experts are cautious on the impact of SARS, as World Health Organization's recent notification lifting the travel advisory in Hong Kong may result in resumption of trading activity of Chinese goods through Hong Kong. Also, the recent appreciation of the Indian rupee vis-a-vis the U.S. dollar may also slow the current growth in apparel exports.

Although Asia has become the global manufacturing hub for ready-made garments, India has yet to take advantage of the opportunities due to quota restrictions. The Indian textile industry is looking to expand their share in global trade after the abolition of quota system under the Multi Fibre Agreement in 2005. Market sources report that global procurement companies are setting up offices in India, signaling higher volume orders. However, larger integrated textile units are expected to benefit more, since they will have the ability to supply a wider range of products.

Trade Policy

In April 2001, quantitative restrictions on imports of all cotton and cotton textile products were removed (Table 21). In the latest federal budget, peak tariff levels have been lowered from 30 percent to 25 percent for the IFY 2003/04, including many textile items (ITC/HS 52). The basic import duty on raw cotton remained untouched at 10 percent.

The export of yarn was liberalized, with quota limits removed beginning in January 2002. However, exports of yarn to quota countries such as the U.S. and European Union member states (EU) will continue to be monitored by the Cotton Textile Export Promotion Council (TEXPROCIL), and is distributed among exporters, with 80 per cent of the quota allocated according to past export performance (and 20 percent on a first-come-first-served basis). The export of yarn to quota countries accounts for only 9-10 percent of total yarn exports.

Restrictions on fabric/made-ups exports to non-quota countries were removed in April 2001. Exports to quota countries are also monitored by TEXPROCIL and account for only 12 percent and 18 percent of total exports of fabrics and made-ups, respectively. Fabric exports to quota countries are based on the following formula: 55 percent on past performance entitlement, 15 percent for export manufacturers investing in imported machinery under the Export Promotion Capital Goods (EPCG) scheme, 5 percent for power loom manufacturers, 10 percent on past performance to non-quota countries, and 15% on a first-come-first-served basis.

In an effort to promote the export of value-added cotton textiles, the Indian government provides various incentives. Export Oriented Units (EOUs) and firms importing against an advance license get a duty drawback (zero duty for EOUs and duty discounts for others) on imports of raw materials for the export of value-added goods. Under the EPCG scheme, imports of capital goods/machinery are allowed at subsidized duty rates against export obligations (zero duty for 100% EOU). In addition, many EOUs and other exporting firms receive exemptions from the export quota limitation. However, no direct subsidies are provided for the export of cotton and cotton textiles.

Marketing

India has a very traditional cotton marketing system. Hand-picked raw seed cotton brought by farmers to the market is auctioned and procured by traders who gin, press, and bale the cotton. The pressed cotton bales are supplied to the mills directly or through agents. In addition to the private trade, government parastatals like the Cotton Corporation of India and state marketing federations also operate in the market on a commercial basis with a basic mandate to support prices. Most of the traditional cotton trading houses are in Mumbai, with local offices and agents in major cotton producing and consuming centers. Most Indian mills import their cotton through these Mumbai-based traders, though some are exploring possibilities for direct import.

Due to the availability of various count cotton yarns at comparatively low prices and lower sensitivity of local users to quality specifications, and high tariffs, the Indian weaving industry typically uses local cotton yarn/fabric. Indian textile exports are targeted toward the lower end of the international market; mostly 40 counts and below. Similarly, grey fabric (including denims) accounts for 35-40 percent of total fabric exports. In recent years, a few modern integrated textile units have shifted their focus to exports of finer count yarns, fabric, and branded garments for upper-end segments of the world market.